

Minutes of the Meeting of May 20, 2016

of the

MASSACHUSETTS TEACHERS' RETIREMENT BOARD

I. Regular Matters of Business

In attendance at this regular meeting of the Massachusetts Teachers' Retirement Board ("the Board") were Chairman Jeff Wulfson, Jacqueline A. Gorrie, Richard L. Liston, Dennis J. Naughton, Joannah M. Quinn, Anne Wass, Executive Director Erika Glaster, Assistant Executive Director Sean Neilon, Assistant Executive Director Jon Osimo, General Counsel James Salvie, and Executive Assistant Helen Petruzzello.

The meeting was called to order at approximately 9:04 a.m.

The minutes of the previous Board meeting, held on April 29, 2016, were reviewed and approved as submitted on a motion made by Mr. Liston and seconded by Mr. Naughton. The motion carried 6-0.

VOTED: The Open and Executive minutes of the Board meeting held on April 29, 2016, are hereby approved as submitted.

II. Open Session

The Board considered the agenda items out of their original scheduled order while awaiting the arrival of the subpoenaed witness for the disability application.

A. FY 2017 OPERATIONAL BUDGET

Executive Director Erika Glaster presented the FY 17 Operational Budget for the Board's approval. The proposed FY 2017 budget totals \$14,452,095, which represents a 2.51% increase from the previous year's budget. Ms. Glaster noted the elimination of a separate IT Project Budget and explained that all costs associated with the MyTRS system are now incorporated into the operating budget. She reviewed each line item and answered questions from the Board. Ms. Glaster explained that a supplemental budget for the main office relocation expenses will be proposed at the June board meeting, once the floorplan for the

new space has been finalized and all cost estimates associated with the move have been obtained. Following the presentation of the proposed FY 17 budget, Chairman Wulfson stated that while he appreciated the efforts of the MTRS staff, he could not support the proposed 3% salary reserve, noting the current economic climate. On a motion made by Ms. Wass, and seconded by Mr. Liston, the Board voted 5-1, with Chairman Wulfson voting against the motion, to approve the FY 17 Operational Budget totaling \$14,452,095.

III. Executive Session

A motion was made by Mr. Liston and seconded by Mr. Naughton to enter into executive session in order to review applications for disability retirement, determine the effective date of forfeiture, and review an application for termination retirement. On roll call, the vote was as follows:

VOTED: Jacqueline A. Gorrie	Yes
Richard L. Liston	Yes
Dennis J. Naughton	Yes
Joannah M. Quinn	Yes
Anne Wass	Yes
Chairman Jeff Wulfson	Yes

At approximately 9:43 a.m. the Board went into Executive Session. The Chairman stated that the Board would return to Open Session.

At approximately 12:07 p.m. the Board reconvened in Open Session.

IV. Open Session

B. SECTION 91 POTENTIAL FORFEITURE

1. Robert Williams

The Board considered the hearing officer's report concerning the potential forfeiture of funds of Robert Williams, pursuant to M.G.L. c. 32, §15(1), for misappropriation of funds from the Hopkinton Public Schools. On a motion made by Ms. Wass and seconded by Ms. Gorrie, the Board voted unanimously to adopt the hearing officer's recommendation to reimburse Hopkinton Public Schools from

Mr. Williams's requested refund of his accumulated deductions in the amount of \$10,357.65 and refund the remaining balance of his account to him.

At approximately 12:16 p.m., the meeting recessed for lunch and reconvened at approximately 12:30 p.m.

C. PROPOSED PROCEDURE AND PLAN TO ELIMINATE INCORRECT ASSESSMENT BACKLOG

Robert George, Director of Employer Services, joined the meeting and presented the proposed procedure and plan to eliminate the backlog of incorrect assessments. Mr. George explained how incorrect assessments occur, the reasons for the current backlog, and the plan to resolve the backlog. Mr. George explained that due to the 180-day Retirement Plus ("R+") election window for members who transfer into the MTRS from other Massachusetts contributory retirement systems, a certain number of incorrect assessments are unavoidable as the employers withhold at the 11% rate applicable to new members until the R+ election is received or the election window expires. Upon the Board's questioning, Mr. George explained that members with a pending "R+" decision receive three notices of their right to make an R+ election, mailed every sixty days until a final fourth notification, that includes appeal rights, is sent.

D. EXECUTIVE DIRECTOR'S REPORT

1. Ms. Glaster distributed to the Board a mock copy of a CY 2015 annual statement and announced that annual statements for all active and inactive members will be forwarded in early June.
2. Ms. Glaster notified the Board that a draft lease had been received and is being reviewed by the Division of Capital Asset Management and Maintenance ("DCAMM") for the main office relocation. She explained that weekly meetings are held on site with MTRS staff, DCAMM staff, the property manager, and the architect and that there are many "moving parts" to this finalization process. She stated that she will share more details with the Board, including the anticipated down time for the agency during the move period, as the information becomes available. Additionally, Ms. Glaster updated the Board that the lease extension for the current Cambridge space

was recently received, was under review by MTRS and DCAMM, and will be finalized for signatures shortly.

3. Ms. Glaster and Chairman Wulfson provided details on the previous day's meeting between Jennifer Sullivan, Assistant Secretary of Administration and Finance ("ANF") and MTRS representatives including Chairman Wulfson, Vice Chair Favorito, Sean Neilon, Jim Salvie and Ms. Glaster. During the course of the meeting, Robert Ross, and for a short time, Rachel Madden of ANF joined the meeting. The meeting focused on three issues: system funding, exclusive benefit rule questions and pension forfeitures. The Chairman discussed the Board's role as fiduciaries and conveyed our concerns over the declining funded ratio of the MTRS. He also restated the Board's request for a meeting between ANF representatives and the entire Board in advance of the establishment of the next triennial funding schedule. In the discussion concerning the exclusive benefit rule questions, Ms. Sullivan requested that the MTRS hold off on further action until ANF could investigate the issue and obtain the advice of its own counsel. The MTRS representatives agreed to postpone further action for a reasonable period of time and offered assistance as ANF staff work on the issue, but reiterated that the issue needed to be addressed. Concerning the issue of forfeitures and the recent *Bettencourt* decision, Ms. Sullivan and Mr. Ross were aware of the proposal to form a Commission to work on legislative amendments to the forfeiture statute and encouraged MTRS to make recommendations.
4. Ms. Glaster announced that the Massachusetts State Employee Retirement System's (MSERS) valuation report was published and shows a reduction in the MSERS funded ratio from 67.5% to 63.5%. Among the factors increasing the MSERS's actuarial liability was the reduction in the assumed rate of return from 7.75% to 7.5%, which increased the liability by approximately \$993 million. Ms. Glaster indicated that the MTRS valuation will likely include a comparable increase in liability, which is expected to result in a further decline of the MTRS funded ratio from its current 54.3%. The Board held a discussion about the potential impact should the funded ratio continue to decline.

On a motion made by Mr. Liston and seconded by Mr. Naughton, the Board voted unanimously to adjourn the meeting at approximately 1:26 p.m.

Respectfully submitted,

Erika M. Glaster, Executive Director

Date

Documents used in MTRS Board meeting of May 20, 2016

- Agenda for May 20, 2016 MTRS Board meeting
- Cover letter from Executive Director
- Open minutes and executive minutes of April 29, 2016 MTRS Board meeting
- Memorandum and supporting documents pertaining to effective date of forfeiture
- Memorandum and supporting documents pertaining to termination retirement application
- Hearing Officer's report on Section 15 Potential Forfeiture case
- Memorandum and supporting documents pertaining to FY 2017 operational budget